



**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224**

SMALL BUSINESS / SELF-EMPLOYED DIVISION

November 8, 2007

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Impacted IRM: IRM 5.8

**MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS
DIRECTORS, COMPLIANCE CAMPUS OPERATIONS
(Brookhaven and Memphis)**

FROM: Frederick W. Schindler /s/ Frederick W. Schindler
Director, Collection Policy

SUBJECT: Updated Procedures to Refer Closed Rejected, Return and
Withdrawn Offer Cases for Next Appropriate Action.

This interim guidance discusses the reassignment of closed rejected, returned and withdrawn offer in compromise cases to Automated Collection System (ACS) or field revenue officer groups for appropriate actions. The procedures outlined in Attachment A will be incorporated into the next revision of IRM 5.8.

Proper assignment of cases for the next appropriate action is a goal of the Collection function. The Inventory Delivery System (IDS) and the IRM are constantly being updated in order to provide the best type of work to field revenue officers and ACS.

In instances where a taxpayer's offer in compromise (OIC) has been investigated and a decision was made not to accept the offer, it is important to continue toward a resolution and utilize the financial information received and verified during the offer process. Returning the offer to the prior status upon case closing potentially places the account into the queue or a status where there is no immediate contact and considerable information secured and verified may be lost.

IRM 5.8 provides for offer examiners and offer specialists to work with taxpayers to resolve the outstanding balances if their OIC cannot be accepted, yet there are instances where the taxpayer is unwilling to agree to the proposed resolution. In these circumstances, it is important the account continues to be worked. This is especially true in situations where the taxpayer has substantial equity in assets or a clear ability to full pay their account thru an installment agreement.

The attached procedures provide for coordination between the offer and field collection groups on potentially collectible cases, so expeditious assignment takes place.

If you have any questions, please contact Gloria Orozco, or a member of your staff may contact Thomas B. Moore, OIC Program Analyst. Field Offer, Field Collection and COIC personnel should elevate their questions through the appropriate management chain.

cc: www.irs.gov

Processing Closed Offer in Compromise Cases
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Attachment A

Nature of Changes

5.8.7.8(5) – Deleted - This paragraph is being replaced by 5.8.7.8.1.

5.8.7.8.1 – This subsection is being added to provide procedures to assign cases to ACS and coordinate transfers to field collection groups.

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5.8.7.8 – Alternative Resolutions

1. Whenever an offer cannot be recommended for acceptance Offer Specialists should discuss alternative resolutions with the taxpayer. All actions necessary to complete the agreed resolution should be taken prior to closing the case.

NOTE: In cases where the taxpayer does not agree with the proposed alternative resolution, such as an installment agreement, refer the case to the appropriate Collection function for the next appropriate action.

2. Alternative resolutions that may be appropriate include:
 - Negotiating and processing the Form [433-D](#), Installment Agreement, to fully pay the tax due.
 - Preparing the Form [53](#), Report of Currently Not Collectible Taxes, to report the account uncollectible when requesting current payment would create an undue hardship, the taxpayer is deceased and there is no probate, or is now unable to locate.
 - Preparing and processing the Form [3870](#), Request for Adjustment, when reasonable cause abatement or other adjustment to a liability should be made.
 - Assigning the case to the Automated Collection Function (ACS) or a Field Compliance Revenue Officer (RO) when prompt enforcement action is warranted.
3. The above actions cannot be processed on IDRS until the TC 48X posts from AOIC. If the OIC group is able to input actions to IDRS, the actions should be suspended in the group until the offer closing transactions post. If the actions are to be processed by another Service function, the request should be mailed immediately to that office with a cover memo explaining the TC 48X transactions have been initiated and the requested actions should be processed once the offer closing transactions post.
4. The appropriate IRM Part V Chapter should be followed to process an installment agreement, report an account uncollectible or process a request for adjustment.

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5.8.7.8.1 – Coordination with ACS/Field on Closed Offer Investigations

1. The procedures in the following situations have not changed. Refer to the IRM reference listed for appropriate actions:
 - a. Solely to Delay Collection – IRM 5.8.3.19.3, **Offers Submitted Solely to Delay Collection.**
 - b. In-Business Trust Fund – IRM 5.8.4.11(1), **Responsibility of Offer Specialist and Field Revenue Officers** – Continuing Action on In Business Trust Fund (IBTF) cases.
 - c. Levy/Seizure related action – IRM 5.8.4.11, **Responsibility of Offer Specialist and Field Revenue Officers** – Levy or seizure related actions.
 - d. Protection of the government's interest required (lien, nominee lien/levy, suit recommendation, etc.) – IRM 5.8.4.11, **Responsibility of Offer Specialist and Field Revenue Officers.**
 - e. Development of Potential Fraud – IRM 5.8.4.11(1), **Responsibility of Offer Specialist and Field Revenue Officers.** The Fraud Referral Specialist should be consulted and agreement is reached that a more thorough field investigation is required. IRM 5.8.10.9, **Indications of Taxpayer Fraud.**
2. The following procedures apply to situations not outlined above in subsection 1 and include IMF and out of business Sole Proprietorship cases that may require assignment to ACS or a Field Revenue Officer group:
 - a. Accelerated assignment may be appropriate in the following circumstances:
 - 1) Specific assets with significant equity (greater than \$ 50,000.00) were identified during the offer investigation And/Or, Taxpayers' ability to full pay is apparent and TP refused to fully pay the liability or enter into an installment agreement to resolve the outstanding balance.

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- b. Document AOIC/ICS histories:
 - 1) AOIC closing narrative should include a statement that the balance due accounts are being recommended for immediate assignment to a Field RO.
 - 2) ICS history (Field Offer Specialists only) will include:
 - a) Basis for the immediate assignment determination.
 - b) Equity determination on specific asset/levy sources located.
 - c) An employee name and phone number, for the RO to contact and secure pertinent documents from the offer file, if necessary. This employee will normally be a Tax Examiner or Group Secretary at the location of the closed offer files.
 - c. After the Appeal period has expired, if not already completed the OS should document AOIC/ICS histories as discussed in subsection (b), then forwarded the offer file to the manager for review in accordance with subsection (d).
- NOTE:** The history should still be documented even if the offer is going to Appeals, so expeditious assignment can take place if Appeals sustains the rejection.
- d. If the Field Offer Manager agrees that immediate field action is warranted:
 - 1) Field Offer Group Manager will contact the Field RO GM and advise them of the incoming Other Investigation (OI). The OI will be created in accordance with subsection 3.
 - 2) If after discussion with the field GM a decision is reached not to issue an OI to the field. The Field Offer Group Manager will notate the ICS history and forward information so their group employee can complete AOIC closing actions and follow the procedures in subsection 5.

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3. Concurrently with or subsequent to AOIC closing actions by the Field Offer Group:

- a. An OI will be created on ICS by the Field Offer Group. The ICS parameter tables and SERP zip code assignment list are available to determine the appropriate field group. The OI should include a statement that the case should be treated as a sub code 604 (Large \$ Asset Case).
- b. Copies of the Forms 433 A/B along with any relevant research documents will be provided to the RO GM. Additional documents from the offer case file may be secured by the RO, if necessary, once the case is assigned.

4. Receipt by the Field GM:

- a. The OI will be transferred to the RO pending reversal of the TC 480 (usually one cycle).

NOTE: No enforcement actions should be taken by the RO until the TC 480 has been reversed or the RO has verified the offer closing letter has been issued.

- b. The OI serves as an open assignment until the case is systemically assigned to Status 24 (QUEUE), at which time the RO GM will assign the case to the RO via ENTITY GM Case Assignment. This process usually takes about 30 days.
 - c. The RO GM may use expedited STAUP/TSIGN procedures to assign the case to the RO on IDRS, if necessary.
- #### 5. Subsequent to AOIC closing actions by field offer personnel, where the taxpayer refused to agree to an appropriate case resolution and an OI will not be issued:
- a. Review IDRS to determine current status and status prior to offer submission.
 - b. If the offer file was received from Appeals and the rejection was sustained, review the ICS/AOIC history to determine if the OS recommended the offer be sent to a field RO. If so, provide to GM in accordance with subsection 3.
 - c. Cases that are currently in Status (12, 26, 43 & 60), require no additional research and case can go to closed files.

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- d. If prior status was 60 determine if the Installment Agreement should be re-instated.
 - e. If TC 530 was input within one year of offer submission, return account to Status 53. If TC 530 is over one year old, and the taxpayer has the ability to full pay via an installment agreement or substantial equity in assets exists, the TC 530 should be reversed and the account should be assigned to ACS or a Field RO group,
 - f. If a Form 657 is present in the case file, the Form 657 should be faxed to the RO advising them the offer is now closed. The fax should also include a statement that the RO may initiate action to accelerate the case to ST 26, if they wish to have the case returned to their inventory expeditiously.
 - g. If the prior status was 26 and a Form 657 is not in the offer file or the Form 657 states the RO does not wish to have the case returned to their inventory, the case should be accelerated to Status 22, unless the case is ST 12,43, or 60. This may be accomplished by inputting a STAUP 22 00 with an assignment code of 0605. NOTE: Accelerate Status 24 (QUEUE) cases to Status 22. If the case will not accelerate to Status 22 after 2 attempts, the case may go to closed files.
 - h. The ICS history should include a statement that the modules are being updated to Status 22. If not already discussed, a listing of specific assets and their equity should be included in the ICS history.
 - i. If the employee has DI capability, all available financial information from 433 – A/B should be input into ACS/DI/History/Financial Screens.
 - j. If the TP has equity in assets greater than \$ 50K, request ACS update the ICS sub-code to 604 (Large \$ Asset Case) if full payment is not secured.
 - k. Update all levy sources on IDRS and DI screens, if possible.
- 6) The following COIC procedures apply to IMF and in or out of business Sole Proprietorship (no employee) cases that may require assignment to a Field Revenue Officer:
- a. Types of cases where accelerated assignment may be necessary include:
 - 1) Specific assets with significant equity (greater than \$ 50,000.00) were identified during the offer investigation And/Or, Taxpayers' ability to full pay is apparent and TP refused to fully pay the liability or enter into an installment agreement to resolve the outstanding balance

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b. Document AOIC history, even if the offer file is going to Appeals:

1) AOIC closing narrative should include a statement that the balance due accounts are being recommended for immediate assignment to a Field RO.

- a) Basis for the immediate assignment determination.
- b) Equity determination on specific asset/levy sources located.
- c) An employee name and phone number, for the RO to contact and secure pertinent documents from the offer file, if necessary. This employee will normally be a Tax Examiner or Group Secretary at the location of the closed offer files.

c. After the Appeal period has expired, if not already completed, the OE should document AOIC/ICS histories as discussed in subsection (b), and then forward the offer file to the manager for review in accordance with subsection (d).

NOTE: The history should still be documented even if the offer is going to Appeals, so expeditious assignment can take place if Appeals sustains the rejection.

d. If the COIC Offer Manager agrees that immediate field action is warranted:

- 1) The case should be forwarded to the site RO.
- 2) COIC RO will contact the Field RO GM and advise them of the incoming Other Investigation (OI). The OI will be created in accordance with subsection 3 and the ICS history will be documented with the following information:
 - a) Basis for the immediate assignment determination.
 - b) Equity determination on specific asset/levy sources located.
 - c) An employee name and phone number, for the RO to contact and secure pertinent documents from the offer file, if necessary. This employee will normally be a Tax Examiner or Group Secretary at the location of the closed offer files.

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3) If after discussion with the field GM a decision is reached not to issue an OI to the field. The file will be returned to the COIC Offer Manager so their group employee can complete AOIC closing actions and follow the procedures in subsection 7.

(7) Subsequent to AOIC closing action by COIC, with the exceptions of cases assigned to the field in accordance with (6), all processable returns, withdrawals and rejections meeting the below criteria will be accelerated to ACS, and the financial information will be documented on Desktop Integration (DI) or ACS , Balance Due, Financial Screens.

- a. Cases in Status 12 require no action and can go to closed files.
- b. If the offer file was received from Appeals and the rejection was sustained, review the AOIC history to determine if a recommendation was made to assign to case to a field RO. If so provide offer to site RO for review.
- c. Cases in Status 60, 43, 26 and 72 will **not** be accelerated to ACS. The financial screens will be updated in DI, and then the OIC case file can go to the closed files. Note: Prior Status 60 cases will require placing back into Status 60 due to the TIPRA periodic payments made while the offer was being investigated.
- d. If a TC 530 is within one year of offer submission, return the account to Status 53. If the TC 530 is over one year old, and the taxpayer has the ability to full pay via an installment agreement or substantial equity in assets, reverse the TC 530 with the input of a TC 531 using REQ77/FRM77. Accelerated to Status 22 00 using Command Code STAUP and the financial screen updated in DI.
- e. Cases in Status 24 are to be accelerated to ST 22 using assignment 0605. If the account does not successfully move to ST 22 after 2 attempts, financial screens will still be updated in DI, then send case to closed files
- f. All other Status cases will be accelerated to Status 22 on IDRS by inputting Command Code STAUP 22 00.
- g. The financial information will be input into DI or ACS Financial Statement, under the Bal Due icon in DI. The account does not have to be accelerated to ACS status prior to the DI Financial screen input. If inputting into the ACS Financial Screens, the account will have to be assigned to ACS prior to input.

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Note: The financial statement is modeled after the 433F, some items you will have to put in the total. For example, the Housing Standards is broken down in the detail of the expense, as long as the total is on one of the lines available, it is sufficient, another example is operating expense for a vehicle (i.e. gas, insurance etc) is broken down where we may only have the total.

- h. COIC will stop at DI Screen 22 (I/A Terms) and screen 24 (CNC).
- i. Include a history statement in DI. Examples of good history statements are:
 - 1. OIC returned because t/p failed to provide bank statements.
 - 2. OIC rejected, the RCP totaled XXXX, and the t/p failed to increase their offer and Appeal Rights were not exercised.
 - 3. OIC rejected because the taxpayer's RCP totaled XXXX, which exceeds their liability. T/P appealed and Appeals concurred with the rejection recommendation.